



September 19, 2017

File: 44200-60 QATE

**DELIVERED BY E-MAIL**

Jim Collins, Chair  
BC Broiler Hatching Egg Commission  
180 – 32160 South Fraser Way  
Abbotsford BC V2T 1W5

Robin Smith, Chair  
BC Chicken Marketing Board  
101 – 32450 Simon Av  
Abbotsford BC V2T 4J2

Brad Bond, Chair  
BC Egg Marketing Board  
250 – 32160 South Fraser Way  
Abbotsford BC V2T 1W5

Philip Hochstein, Chair  
BC Turkey Marketing Board  
106 – 19329 Enterprise Way  
Surrey BC V3S 6J8

Ben Janzen, Chair  
BC Milk Marketing Board  
200 – 32160 South Fraser Way  
Abbotsford, BC V2T 1W5

Dear Chairs:

**QUOTA ASSESSMENT TOOLS EVALUATION – BCFIRB INITIAL PROPOSAL ANALYSIS AND RELATED OUTCOMES**

First, thank you for your Quota Assessment Tools Evaluation (QATE) submissions and subsequent active participation in the related follow up meetings with the BC Farm Industry Review Board (BCFIRB).

BCFIRB has now initially reviewed and assessed the information, rationale and any proposed changes to its 2005 Specialty Review<sup>1</sup> transfer assessment and industry entry related policies and directions provided in your original submissions. BCFIRB also sent follow up letters on September 8, 2017 to both the BC Milk Marketing Board<sup>2</sup> (Milk Board) and the BC Egg Marketing Board<sup>3</sup> (Egg Board) seeking further information and clarification.

---

<sup>1</sup> 2005 September 1. [BCFIRB. Specialty Marketing and New Entrant Submissions: Policy, Analysis, Principles and Directions.](#)

<sup>2</sup> 2017 Sept 8. BCFIRB [Re: Quota Assessment Tools Evaluation \(QATE\) Follow-Up Questions.](#) (MMB)

<sup>3</sup> 2017 Sept 8. BCFIRB. [Re: Quota Assessment Tools Evaluation \(QATE\) Follow-Up Questions](#) (EMB).

---

**British Columbia  
Farm Industry Review Board**

**Mailing Address:**  
PO Box 9129 Stn Prov Govt  
Victoria BC V8W 9B5  
Telephone: 250 356-8945  
Facsimile: 250 356-5131

**Location:**  
1<sup>st</sup> Floor, 780 Blanshard Street  
Victoria BC V8W 2H1  
Email: [firb@gov.bc.ca](mailto:firb@gov.bc.ca)  
Website: [www.gov.bc.ca/BCFarmIndustryReviewBoard](http://www.gov.bc.ca/BCFarmIndustryReviewBoard)

However, as BCFIRB has reached conclusions on certain matters prior to receiving responses from the Milk and Egg boards, it has requested I communicate the following initial outcomes related to two of the changes proposed by some of your boards.

***Proposal: 10 year 0% transferability for incentive quotas (including new entrant quota)***

The Milk Board and the Egg Board proposed that incentive quotas be non-transferable for 10 years. Specifically, the Milk Board references “Incentive Programs (Graduated Entry Program 2004-2019; and, specialty incentive quota (crystallized and conversion incentive)”. The Egg Board references “incentive quotas such as those issued under the New Producer Program”. If a producer transferred said quota prior to 10 years after to receiving it from the board, all the quota would return to the board.

There are variations between the two proposals. For example, the Egg Board proposes ‘grandfathering’ in current new entrant producers under 10/10/0 (with LIFO<sup>4</sup> removed), and any growth issued on the incentive quota would not be subject to 0% transferability. The Milk Board proposes that 0% transferability would apply to all existing and future incentive quotas (new entrant and specialty incentive quotas), along with any growth issued based on said quotas.

*Initial Outcome*

BCFIRB has concluded that neither board adequately demonstrated that LIFO and 10/10/10 were ineffective in promoting active engagement and commitment to the industry and preventing opportunities for short-term personal return.

From BCFIRB’s perspective, imposing 0% transferability retroactively on certain quotas previously issued over the last number of years is not equitable, and may have a significant negative impact on existing business plans. Accordingly, the proposal that 0% transferability be applied retroactively will not be considered further by BCFIRB.

BCFIRB agrees with the boards that a mechanism is needed to promote active engagement and commitment to the industry where boards issue quota at no cost under specific programs, such as new entrant programs or market development programs. However, if the Milk and Egg Board wish to continue to pursue a 0% transferability policy as an alternative to LIFO and 10/10/10 going forward, BCFIRB requires further substantive information, including a sound marketing policy rationale. Some of the outstanding information gaps are reflected in BCFIRB’s September 8, 2017 questions to the Milk and Egg Boards. Without additional information that provides a compelling sound marketing policy rationale in support of this proposal, BCFIRB wishes to advise that it is not inclined to consider this proposal further.

***Proposal: Freeze the price of quota at a target price***

The Milk Board proposes freezing the price of quota on the Quota Exchange as follows:

- If LIFO and 10/10/10 is removed, lower the quota price to a target price of \$36,000 kg/day
- Freeze quota price at this target for one year to maintain stability.
- If the target price is reached during the QATE process, freeze the price of quota at the target price of \$36,000 kg/day.
- The above price adjustment would not be made if some form of LIFO and 10/10/10 remains.

---

<sup>4</sup> Last in – First Out

Those boards using Quota Exchanges have mechanisms to help ensure the Exchanges function transparently and accountably. These mechanisms derive quota value from producer-market input and forces. BCFIRB has reviewed the Milk Board legal opinion. Pending further discussion with the Milk Board at the September 28, 2017 board to board meeting as committed to in its September 8 letter – BCFIRB does not currently support direct setting of a pre-determined quota price by the commodity boards – an approach that falls outside of being informed by producer-market inputs and forces.

*Opportunities for additional input*

Boards may provide further information or alternative written proposals in relation to matters covered in this letter to BCFIRB and stakeholders by October 6, 2017 if they so choose to do so.

All boards may provide additional written information, considerations, and/or rationales to BCFIRB and stakeholders by October 6, 2017 on other items related to their QATE submissions now that the first round of board to board meetings are completed and there is a better joint understanding of some of the outstanding information gaps and questions.

Please do not hesitate to contact Kirsten Pedersen, Executive Director, at 250-387-3915 or [Kirsten.Pedersen@gov.bc.ca](mailto:Kirsten.Pedersen@gov.bc.ca) if you have any questions.

Yours truly,



Kirsten Pedersen  
Executive Director

cc: BC Broiler Hatching Egg Producers Association  
BC Chicken Growers Association  
BC Egg Hatchery Association  
BC Egg Producers Association  
BC Milk Producers Association  
BC Specialty Egg Producers Association  
BC Turkey Growers Association  
BC Poultry Association

James Mack, Assistant Deputy Minister  
Agriculture Science and Policy  
Ministry of Agriculture

BCFIRB website